

VA



**U.S. Department
of Veterans Affairs**

VA Moving Forward:

**Denver Replacement Facility and
A Transformational Plan for the Department
of Veterans Affairs**

June 5, 2015

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**THE SECRETARY OF VETERANS AFFAIRS
WASHINGTON**

June 5, 2015

House and Senate Veterans' Affairs Committees

Subcommittee on Military Construction, Veterans Affairs, and Related Agencies,
Committee on Appropriations

Dear Chairmen and Ranking Members:

Thank you for your efforts to pass H.R. 2496, the Construction Authorization and Choice Improvement Act, which increased the authorization cap for the Denver Replacement Medical Center to \$900 million. By allowing the Department of Veterans Affairs (VA) to continue its work on the project until mid-June, this legislation is the right thing for taxpayers and for the nearly 400,000 Colorado Veterans and families that the Aurora hospital will serve.

In your letter of May 21, 2015, you asked for a considered plan for moving forward responsibly on the Denver Replacement Medical Center project. The enclosure to this letter serves as the Department's response and provides specific information requested in your letter. Now it is time for Congress to act. Congress must pass legislation to: (1) extend the authorization for the Denver Replacement Medical Center to \$1.675 billion, an increase of \$775 million from the current authorization, to allow the U.S. Army Corps of Engineers (the Corps) to award an incrementally funded contract towards completion of the project; and (2) provide authority for VA to transfer \$150 million of existing budgetary resources to the Major Construction account to allow work to continue on the project. Inaction by Congress will result in a shutdown of the Denver Replacement Medical Center and punish Colorado Veterans today for past VA errors.

The delays and cost overruns that have plagued the Denver Replacement Medical Center campus are inexcusable. To prevent a recurrence of the unacceptable mistakes made on the Denver project, VA intends to expand its relationship with the Corps regarding management of future VA major construction projects. Of the 15 active major construction projects planned for the next 3 years, 5 are already underway and past the logical transition point for the Corps to take over. VA expects to designate the Corps as our construction agent for 7 other projects, which total 86 percent of the value of the 10 active major construction projects. Going forward, VA believes that the Corps should be designated as our construction agent for all new medical facilities with a cost of \$250 million or greater that have not yet started construction.

In addition, VA has also instituted a number of other specific reforms based on best practices from the private and public sector, including:

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- Integrating master planning to ensure that the planned acquisition closes the identified gaps in service and corrects facility deficiencies.
- Requiring major medical construction projects to achieve at least 35 percent design prior to cost and schedule information being published and construction funds requested.
- Implementing a deliberate requirements control process, where major acquisition milestones have been identified to review scope and cost changes based on the approved budget and scope.
- Institutionalizing a Project Review Board (PRB) that is similar to the structure at the Corps District Offices. The PRB regularly provides management with metrics and insight to indicate if/when a project requires executive input or guidance.
- Using a Project Management Plan for accomplishing the acquisition from planning to activation to ensure clear communication throughout the project.
- Establishing a VA Activation Office to ensure the integration of the facility activation into the construction process for timely facility openings.
- Conducting pre-construction reviews wherein major construction projects must undergo a "constructability" review by a private construction management firm to review design and engineering factors that facilitate ease of construction and ensure project value.
- Integrating Medical Equipment Planners into the construction project teams. Each major construction project will employ medical equipment planners on the project team from concept design through activation.

We believe that these reforms will allow us to avoid the mistakes of the past and move forward with the construction in Aurora in a manner that will serve the Veterans of Colorado and American taxpayers. I respectfully request that Congress take action to allow us to move forward so that construction on the Denver Replacement Medical Center in Aurora does not shut down later this month. VA has been discussing reforms to this project and the pending deadlines with Congress for months. The Senate authorizing committee held a field hearing in Colorado on this issue. The Congressional representatives from Colorado have been actively engaged in the Senate and the House to find a solution. They have worked with VA, the Congressional authorizing committees, and Congressional leadership to facilitate conversations and proposals, convey a sense of urgency on behalf of Veterans, and act as good stewards of the American taxpayers' dollars.

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We previously provided multiple proposals to Congressional authorizing committees as to how we can complete this campus for Veterans, each being rejected for a variety of changing reasons. In the spirit of cooperation, VA is submitting a revised proposal that we believe is fiscally responsible, Veteran-centric, and executable. In the enclosed proposal, you will find the following:

1. Detailed construction and funding plan for Denver Replacement Facility. A detailed plan to complete the Denver project that proposes to delay the Community Living Center and the Post-Traumatic Stress Rehabilitation Program Facility, repurpose \$150 million of Fiscal Year 2015 funds to continue work on the project, and provide incremental funding for the remainder of the project from within existing resources in Fiscal Year 2016. As you will see in the enclosed plan, VA considered a number of funding options to complete the Denver project.

In addition to a review of these alternatives, this package also includes the cost-benefit analysis of the alternatives to continuing construction on the Aurora facility and a series of photos that show the current state of construction at the facility to underline why further re-scoping of the project is not possible at this time.

As noted previously, VA requires greater flexibility to deploy resources to best meet Veterans' needs. This funding flexibility would allow VA to manage resources and address emerging funding needs in a fiscally responsible, budget-neutral manner.

2. Accountability and Accomplishment Fact Sheets. These fact sheets detail progress VA has made in areas such as accountability, access, homelessness, and other priorities. The fact sheets show that while work remains to be done, significant progress has been made over the last year.
3. The MyVA Transformational Plan. The achievements we have made to date have largely been the result of "brute force" -- more people working more hours to overcome institutional and operational hurdles. The next step in the transformation of VA is to create a high-performance organization based on sound strategies, robust systems, a high-performance culture, and passionate leadership. We are listening hard to what Veterans, Congress, employees, and Veterans Service Organizations tell us -- driving us to a historic, Department-wide transformation by adopting best practices from the private and public sector, changing VA's culture, making Veterans the center of everything we do. We call it MyVA. MyVA focuses on five strategies to revolutionize culture and focus on Veterans' outcomes rather than internal metrics and are listed as follows:

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- Improving the Veteran experience so that every Veteran has a seamless, integrated, and responsive customer service experience, every time;
- Improving employee experience by eliminating barriers to customer service and focusing on our "people and culture" to better serve Veterans;
- Improving our internal support services;
- Establishing a culture of continuous improvement to identify and correct problems and replicate solutions at all facilities; and
- Enhancing strategic partnerships.

Reorganizing the Department geographically is a first step in achieving this goal. In the past, VA had nine disjointed geographic organizational structures. Our new organizational framework has one national structure with five districts, aligning VA's disparate organizational boundaries. Veterans will see one VA rather than multiple, disconnected organizations. We have also stood up an advisory panel made up of distinguished business leaders, such as Mr. Joe Robles, former Chief Executive Officer and President of United States Automobile Association, to help us look to the future and build business processes and procedures aimed at better serving Veterans.

VA is changing. It will take time to fully implement these changes, but we at VA are committed to work with Congress on this and many other challenges and opportunities as we transform VA into the Veteran-centric, customer service-oriented organization Veterans have earned and deserve.

Should you have additional questions, please have a member of your staff contact Mr. Omar Boulware, Congressional Relations Officer, at (202) 461-6468 or by email at Omara.Boulware@va.gov.

Thank you for your continued support for our Nation's Veterans.

Sincerely,



Robert A. McDonald

Enclosures